

The Health Care Security And Cost Reduction Act: Affordable Health Care Coverage For Every Californian

This New Legislation Ensures Access To Health Coverage For All

The Health Care Security And Cost Reduction Act (the Act) guarantees that every Californian can purchase insurance (guarantee issue), promotes affordability of coverage, and requires every Californian to carry a minimum level of health care insurance (individual mandate).

The Act Increases Affordability To Put Coverage Within Everyone's Reach

- The Act helps control rising premiums and medical costs paid by insured individuals and families by addressing the "hidden tax" associated with the cost of caring for the uninsured.
- Childless adults with incomes up to 100% of the poverty level (\$10,000/person/year) will have access to no-cost Medi-Cal.
- Medi-Cal and Healthy Families will be expanded to provide no-cost/low-cost comprehensive health coverage to children with family incomes below 300% of the federal poverty level (\$52,000 for family of three), regardless of immigration status.
- The state will establish a new purchasing pool that will provide access to subsidized, affordable coverage to individuals and families with incomes between 100-250% of the poverty level.
- Reduces the amount that low and moderate income individuals will have to pay for coverage in the state subsidized pool:
 - 100-150% of poverty: No contribution
 - 151-200% of poverty: premium limited to 4% of income
 - 201-250% of poverty: premium limited to 5% of income
 - 250-350% of poverty: tax credit if the cost of buying insurance exceeds 5% of their adjusted gross income.
- The state pool will also provide access to more affordable coverage to: employees of employers who pay the fee; people who qualify for the tax credit; and people whose employer designates the state pool as their Section 125 plan.

The Act Guarantees That Everyone Can Get Insurance

Under the Act, Californians will be able to buy health insurance regardless of their medical history or age. The plan brings greater stability and transparency to the insurance market by setting limitations on insurers' premiums. Under the plan:

- Insurers must establish a standard risk rate (SRR) with limited variations based on age, family size and geography. The rate must be certified by actuaries.
- Between 2010 and 2013, insurers can charge 20% below or above the SRR based on an individual's health status. Between 2013 and 2016, charges can only vary by 10%.
- After 2016, no variation based on health status is permitted.
- Helps to reduce the high cost of health coverage for older Californians.
- Ensures those with coverage today can keep it.

The Act Gives Working Californians Tax Breaks

The legislation requires employers to offer employees the opportunity to treat health insurance premium contributions on a pre-tax basis through IRS Code Section 125 plans. This will bring significant tax savings for health insurance benefits to middle-income Californians and their

employers by saving employees and employers over \$1.5 billion dollars in state and federal income taxes and federal payroll taxes. The expected cost to an employer to establish a Section 125 plans is \$200 or less.

In addition, employers and their employees who choose a Health Savings Account (HSA) health benefit product will receive tax savings consistent with federal law.

The Act Protects Patients And Providers

- The Act significantly increases Medi-Cal reimbursements by the government to doctors and hospitals, reducing their need to shift costs onto insured individuals, families and employers.
- Requires insurers to spend 85 % of premium dollars on medical care.
- Increases access and promotes cost effective care delivery through regulatory reforms, including changes to lower the cost of seismic safety requirements and increase the use of more convenient, lower cost retail clinics.
- Promotes the use of health information technology and requires that all health providers have the capacity to e-prescribe by 2010.
- Promotes quality improvements and increases access to price and quality information through a transparency initiative and pay-for-performance efforts.

The Act Promotes Prevention, Wellness and Personal Responsibility

The Act rewards healthy choices and tackles chronic conditions, like obesity and diabetes, to promote better health and contain costs. The legislation:

- Structures health benefits to promote prevention, wellness and healthy lifestyles.
- Creates diabetes, obesity and smoking cessation initiatives to improve the lives of Californians and keep down medical costs. Learn more at www.fixourhealthcare.ca.gov/index.php/facts/more/6774/.